



Coastal Villages Region Fund

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February 23, 2009

Robert D. Mecum, Acting Administrator
 NMFS, Alaska Region
 P.O. Box 21668
 Juneau, Alaska 99802-1668

RE: Comments on the Bering Sea Chinook Salmon Bycatch - Draft Environmental Impact Statement/ Regulatory Impact Review/ Initial Regulatory Flexibility Analysis (DEIS/RIR/IRFA)

Dear Mr. Mecum,

Coastal Villages Region Fund (CVRF) is a non-profit corporation that represents 20 communities along Alaska's west coast from Platinum north to Scammon Bay. The approximately 9,000 residents of our communities are among the poorest in Alaska and in the nation. Our residents participate in traditional subsistence salmon fisheries as well as in a vast commercial salmon and halibut fishery in our region that is heavily subsidized by our earnings from the Bering Sea/Aleutian Islands (BSAI) Pollock fishery. This salmon and halibut operation provides hundreds of jobs to our residents at seven CVRF plants in our region as well as a market for more than 500 commercial permit holders from the region. In 2009, with the completion of our new salmon plant in Platinum, Alaska, CVRF will become the third largest employer in the region, all the result of our earnings from the BSAI pollock fishery.

CVRF is deeply concerned about deficiencies in the chinook bycatch EIS/RIR/IRFA, including: 1) insufficient socio-economic data about the CDQ program and scope of its impact on western Alaska, including in non-CDQ member communities; 2) invalid/outdated data about the CDQ program, including with respect to the level of western Alaska ownership in the BSAI Pollock fishery; and 3) chinook bycatch limit alternatives for the CDQ program that penalize our "clean" fishing history and may also violate the federal CDQ statute.

CVRF is the primary beneficiary with respect to about 10 percent of the entire BSAI Pollock fishery (2.4 percent through the CDQ Program, and around 8% through our pro rata ownership interest in American Seafoods) -- and CVRF is just one of six western Alaska CDQ groups with significant ownership in the BSAI pollock fishery. The DEIS does not contain a factually accurate summary of these investments by western Alaska in the BSAI pollock fishery, nor a complete description of the economic and social benefits that the BSAI pollock fishery provides to western Alaska. In fact, the DEIS/RIR/IRFA contains gross misstatements about the CDQ program, such as the statement in Chapter 10 (p. 498) that "less than 1% of the BS catch is harvested by vessels owned by Alaska residents" and that this

percentage has “remained stable since 2002...” Not only is this statement shockingly inaccurate in 2009, but it was highly inaccurate in 2002 as well! Though other sections of the DEIS/RIR/IRFA contain valid data about the CDQ program, on the whole, the information about the CDQ program is incomplete, outdated and alarmingly misleading.

The large-scale BSAI pollock fishery has been taking place for more than 40 years without a “hard cap” on chinook salmon bycatch. While we are concerned about protecting the chinook that our residents have relied upon for centuries, we are also concerned with ensuring an informed decision about any action that could potentially cripple a significant part of our region’s economy. The DEIS/RIR/IRFA simply does not describe the economic and social harm to western Alaska that may come from the various limits on chinook bycatch under consideration. The DEIS/RIR/IRFA as presently drafted could cause decision-makers to adopt BSAI pollock fishery restrictions that provide little or no improvement in subsistence and local commercial chinook salmon fisheries while causing serious economic and social harm throughout western Alaskas.

For more than 30 years, the North Pacific Council has been applauded for making tough decisions based on the best available data. The best available data is not yet included in the chinook bycatch DEIS/RIR/IRFA. With the DEIS/RIR/IRFA as drafted, it will be impossible for decision makers to understand the foreseeable impacts and probable socio-economic consequences to western Alaska of the alternatives under consideration (i.e. loss of jobs related to the CDQ program, labor wages, near shore fishery opportunities subsidized by CDQ groups, scholarships, and significant other economic development activities).

CVRF believes that is critical that the DEIS/RIR/IRFA include the following: a more detailed analysis of the current dire socio-economic situation in western Alaska, including current and more accurate data on the western Alaska economy; the relative importance of CDQ program to the Western Alaska economy; and more detail about the magnitude and importance of CDQ investments in BSAI pollock industry. Given the possibility of catastrophic consequences from the various alternatives, we believe the overall costs of obtaining the necessary data is not exorbitant.

Specific Comments:

1. **The DEIS Overlooks, Underestimates, and Misstates the Massive Pollock Benefits to Western Alaska** -- For instance, on page 154, section 3.4.4.2 that DEIS states that “*CDQ groups had a total of \$134 million in revenue in 2005, earned primarily from Pollock royalties.*” This is misleading and/or incorrect: the revenue received by CDQ investments exceeds revenue from Pollock royalties for most or all CDQ groups, and has for nearly 5 years. In 2007, CVRF alone earned more than \$26 million in revenue from investments, and \$11 million from royalties. The ratio of our investment earnings to our royalty earnings appears to have been even greater in 2008.

In addition, the DEIS does not take into account the substantial benefits flowing to our communities as a result of these investments. The following list includes just some of the benefits provided to our residents and region in 2007 as a result of CVRF’s participation in the BSAI pollock fishery. By ignoring or misstating these and many

other CDQ benefits, the DEIS/RIR/IRFA cannot accurately compare the potential cost and benefits of the proposed alternatives:

SOME OF THE 2007 BENEFITS PROVIDED BY CVRF WITH EARNINGS FROM THE BSAI POLLOCK FISHERY:

- \$8 million spent on Platinum Salmon Plant construction (2007 alone)
- \$4.7 million spent to upgrade the CVRF tender/tug/barge fleet that serves more than 500 commercial salmon and halibut fishermen from our region
- Over \$1 million in wages to 90 of our residents in 2007 working aboard BSAI pollock vessels in which CVRF is a major owner
- \$1.7 million paid to almost 400 residents working in our salmon, halibut processing plants and tendering operations -- with the opening in our new plant in Platinum, AK, CVRF will provide jobs to over 500 residents in summer 2009
- Total CDQ royalty earnings by CVRF of \$13 million in 2007 alone
- Total investment earnings by CVRF -- the majority from pollock -- of \$26 million, about double the amount we earned in 2007 royalties.
- \$1.2 million paid to over 350 salmon permit holders in 2007 by Coastal Villages Seafoods, LLC (CVS), a CVRF subsidiary whose existence and annual operations are heavily subsidized by CVRF pollock earnings
- \$1.1 million paid to over 200 halibut fishermen in 2007 by CVS (see above)
- More than 100 jobs for region residents each year at six CVRF halibut plants (all built with pollock earnings, and operated with a pollock subsidy)
- \$650,000 in scholarship and training to 120 residents in 2007 alone -- more than 80 percent of which was paid for with CVRF pollock earnings
- \$3.8 million to build additional Fisheries Support Centers (FSCs) in our region -
- CVRF has built and now operates FSC facilities in 14 communities -- in addition to our 7 seafood plants that stretch across the region (in 2009, CVRF pollock earnings will pay for the operation of 22 facilities throughout our region that provide in-region jobs for more than 1,000 Alaskans each year, paid for almost entirely by pollock earnings)
- \$280,000 provided in 2007 directly to the governing bodies of CVRF member villages for various projects such as winter trail makers and survival shelters, city clean up and dump site improvements, youth and elders conference, etc...

This is just a partial list of the annual benefits that could be significantly reduced if BSAI pollock earnings for western Alaska are restricted by the alternatives under consideration in the DEIS/RIR/IRFA.

2. **Minimal Salmon Improvements for Our Communities:** The DEIS suggests that our communities will receive very little benefit as a result of the Chinook caps in the Bering Sea Pollock fishery. This is somewhat shocking on its own, but even more so when taking into account the enormous potential economic cost to our communities that would result from the restrictions in the BSAI pollock fishery.

The DEIS projects (Table ES-13, page ES-19) that the greatest benefit under alternative 2 (the lowest cap of 29,300) to the Kuskokwim and Yukon river areas would be 9,710 and 14,938 Chinook salmon returning, respectively. While CVRF

firmly acknowledges the significant social, spiritual, cultural and economic importance of the Chinook salmon to western Alaska, we also recognize that there are substantial negative economic consequences that may result from a hard cap, such as decreased CDQ benefits to our communities. The DEIS largely ignores these significant impacts. As a result, CVRF believes the draft DEIS does not have the information required for the agencies to make an informed decision about the social and economic consequences of the proposed Chinook caps. CVRF believes that it is very possible that a hard cap could inflict far more economic pain in the region than economic gain. With respect to the estimated Kuskokwim chinook savings (9,710 salmon) under alternative 2, we would point out that CVRF purchases more than 20,000 chinook from our local commercial salmon fleet every year! The return of an estimated 9,710 Kuskokwim chinook would have little or no discernable benefit in either our subsistence or local commercial fisheries but could have a crippling effect on the tens of millions of dollars entering our economy each year from the BSAI pollock fishery.

3. **Chinook Bycatch Allocation to CDQ Program:** None of the alternatives appear to give the CDQ program a fair pro rata share of the Chinook allocation. CDQ participants would receive less Chinook per ton of Pollock than most or all other participants -- thereby being penalized for having fished cleanly in the past. The Chinook bycatch situation is being driven in part by the effort to help western Alaska, yet places the greatest burden on the very western Alaskans that the DEIS alternatives are purported to help. We would also draw your attention to language in the federal CDQ statute that seems to explicitly prohibit such disparate treatment of CDQ participants in fisheries -- such as the BSAI pollock fishery -- that have quotas or fishing cooperatives (see 16 U.S.C. 1855(i)(1)(B)(iv)):

(iv) Regulation of CDQ Harvest: Regulation of harvest.--The harvest of allocations under the program for fisheries with individual quotas or fishing cooperatives shall be regulated by the Secretary in a manner no more restrictive than for other participants in the applicable sector, including with respect to the harvest of nontarget species.

4. **Additional Suggested Revisions:**

a. **Executive Summary**

- **Bering Sea Pollock Fishery (ES-2 & ES-3):**
 1. *Lacks relevant information on CDQ investments in the BSAI Pollock fishery.*
 - **Costs of Forgone harvest in the Pollock fishery, (ES-29 and ES-30)- TABLES ES-20, 21, and 22:**
 1. *No mention of CDQ investments in the other Pollock sectors.*

b. **Chapter 3: Methodology**

- **3.4.4.2: CDQ Investments in western Alaska (pg 153)**

1. *The report references 2005 data and states "CDQ groups had total revenues in 2005 of approximately \$134 million, primarily from Pollock royalties..."*
 - a. *More recent data available, the 2007 WACDA report shows CDQ entities generated nearly \$170 million in revenue during 2007.*
 - b. *See also the State's Blue Ribbon Report on the CDQ Program which shows that investments earnings outpaced royalty earnings across the CDQ program in 2004 -- in other words, our investments in the BSAI pollock fishery are providing more to western Alaska than our CDQ program royalty earnings*
 - c. *In 2007, CVRF earned about twice as much from our BSAI investments as from our royalties (we earned a total of \$23.24 million from our pollock investments, and \$11.02 million from our pollock royalties).*

c. Chapter 9 Environmental Justice

• 9.3.2 Are low income populations present?

1. *Table 9-2 – Analysis includes 1999 data from the 2000 census.*
 - a. *Data is old and outdated. Because of the benefits to western Alaska from the BSAI pollock fishery have been increasing at a significant pace, it may be difficult to fully describe the situation. The relevant documents that we would recommend include the annual reports of all six CDQ groups for the past few years (2008 reports will be published in late-spring, early-summer), the State's Blue Ribbon Report on the CDQ Program, the 2007 WACDA report on the CDQ Program, and the January 2009 Northern Economics study for the Marine Conservation Alliance, which includes a section on the CDQ program*
 - b. *CVRF alone will be providing over 1,000 jobs for region residents in 2009, and continues to provide tens of millions of dollars of benefits to our region annually.*

• 9.4.8 Community Development Quota (CDQ) Program: Second paragraph (Pg 463):

1. *States CDQ groups have invested in inshore processing plants, and cites CVS processing salmon and halibut, but does not mention that these operations are fully subsidized by the Pollock fishery.*
2. *The CVS Goodnews Bay/Platinum operation is the largest investment in CDQ history at over \$35 million.*
3. *Over 600 permit holders delivered 412,000 pounds of halibut and 2.8 million pounds of salmon to CVS facilities in 2007.*
4. *The 2007 WACDA report includes more detailed data on the CDQ investments and benefits.*

- **9.4.8 Community Development Quota (CDQ) Program: Third Paragraph (Pg 463):** “CVRF made loans to two aluminum welding businesses for boat repair and buildings in Eek and Hooper Bay.”

1. *Incorrect - CVRF planned, constructed, and operates a total of 14 Fisheries Support Centers in the communities of Scammon Bay, Hooper Bay, Chevak, Tununak, Toksook bay, Nightmute, Mekoryuk, Chefonak, Kwigillingok, Kongiganak, Napakiak, Napaskiak, Eek, and Goodnews Bay. In addition CVRF is completing the construction of a \$35 million salmon processing facility in Goodnews Bay/ Platinum, operates an existing salmon plant in Quinhagak, and operates six halibut plants in the region -- all paid for with earnings from the BSAI pollock fishery.*

- **9.4.8 Community Development Quota (CDQ) Program: Last paragraph (Pg 463)**

1. *Data referenced is very outdated and is from a 2002 Northern Economics study, with 1999 data. The CDQ program has evolved and grown substantially since 1999.*
2. *CVRF has constructed/maintained 6 halibut plants, Improved/maintained the Quinhagak salmon plant, is constructing a \$35 Million Salmon plant in Goodnews Bay/Platinum, operates boats and employs decks hands, crew members, welders, mechanics, liaisons, program managers, etc.*
3. *Annually CVRF employs approximately 340 workers at 7 processing plants in the region, with an additional 120 expected with the opening of the Goodnews Bay/Platinum salmon plant.*

- **9.4.8 Community Development Quota (CDQ) Program: Second Paragraph (Pg 464):**

1. *“Pollock allocations benefit member communities, they do not provide significant benefits to non-member communities.”*
 - a. *CVRF provides a market to hundreds of salmon fishermen from Bethel and other non-member villages -- paid for with BSAI pollock funds.*
 - b. *More than 10 percent of the hundreds of jobs we provide in our in-region seafood plants are held by residents from non-CVRF member western Alaska villages*
 - c. *CVRF employs around 40 people at our administrative office Anchorage, Alaska*
 - d. *CVRF conducts regular employment recruitment in Bethel and in other communities outside our member communities*
 - e. *CVRF generates/supports many indirect jobs as a result of our economic activity (such as flights throughout the region, hotels and meals in our regional hub of Bethel, etc.)*

In addition to these comments, CVRF recommends that the DEIS/RIR/IRFA team undertake a more thorough literature review (in addition to the reports listed below), conduct additional research and incorporate the most current data available including both quantitative and qualitative, in order to analyze the full range of socio-economic impacts. We believe this critical information is lacking in the current analysis and is essential in order for the council to make an informed decision.

Additional data sources include:

1. Western Alaska Community Development Association, CDQ sector report, 2007
2. Report to the Governor, State of Alaska, The CDQ Blue Ribbon Report, 2005
3. Marine Conservation Alliance/ At-Sea-Processors Association, Northern Economics, The Seafood Industry in Alaska's Economy, January 2009
4. Coastal Villages Region Fund, Catalogue of Benefits, 2009
5. CVRF "Pollock Provides" Video, 2008
6. 2005 Annual Reports of the Six CDQ Groups
7. 2006 Annual Reports of the Six CDQ Groups
8. 2007 Annual Reports of the Six CDQ Groups
9. 2008 Annual Reports of the Six CDQ Groups (available in spring/summer 2009)

As one of the six CDQ groups, whose communities are among the poorest in the state, whose economic opportunities are extremely limited, and whose residents rely heavily on subsistence, CVRF feels it is very important that the above issues be adequately addressed. Failure to incorporate appropriate and relevant data will result in an insufficient analysis of the alternatives, and possibly unintentional and catastrophic consequences to western Alaska and to the villages and residents we serve.

CVRF is an Alaska non-profit company that represents 20 Alaskan communities and 9,000 Alaskan's who reside along the coast of the Bering Sea from Scammon Bay to Platinum. Our 20 member villages include Scammon Bay, Chevak, Hooper Bay, Newtok, Tununak, Toksook Bay, Nightmute, Cheforak, Kipnuk, Kwigillingok, Kongiganak, Tuntutuliak, Napakiak, Napaskiak, Oscarville, Eek, Quinhagak, Goodnews Bay, and Platinum.

Thank you for the opportunity to comment on this DEIS/RIR/IRFA.

Sincerely,



Neil Rodriguez
Community and Government Affairs Manager
Coastal Villages Region Fund